
Financial Plan

While the District of Columbia has successfully weathered the economic and financial storms of FY 2002, we must brace for turbulent times in FY 2003 and judiciously plan for FY 2004. The District's elected and appointed leaders remain firm in their commitment to a balanced budget in FY 2004 and in subsequent years, while continuing to deliver fundamental services to the stakeholders.

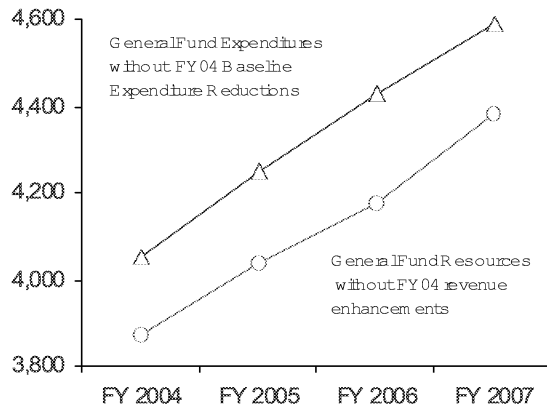
In fiscal year 2004, the District's economy, like that of the nation is expected to see a return to normal growth rates. The return to normal growth rates will once again catapult the city's structural imbalance to the forefront. The District is unique and is shaped by its roles as a city, a state and the Nation's Capital. It is the core of the Washington Metropolitan Area and has the economy and demographics of a core city. It has the expenditure responsibilities of local government and those of a state – but it lacks a comparable tax base. As a city, the District has a severely restricted real property tax base. As a state, the District has no access to the incomes it exports to the suburbs; a state would have access to this base. The District was created by the fed-

eral government and is a “company town.” The federal government provides jobs and helps attract businesses and tourists. Though unlike other company towns, the city does not receive revenues from its major employer, the federal government but the District does provide services to the federal government.

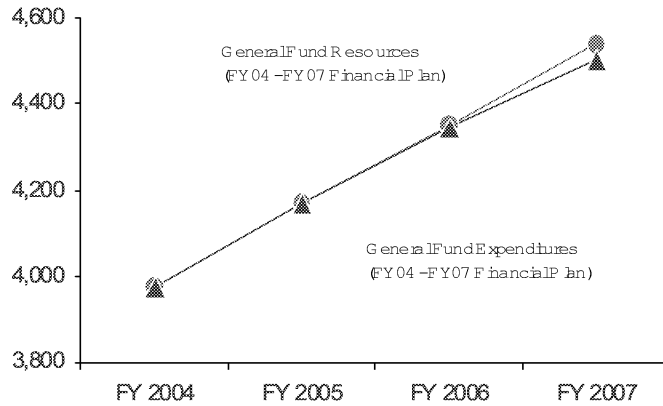
While this Financial Plan reflects a balanced budget in FY 2004 and through FY 2007, this must not mask the fact that the District cannot continue to provide the current level of services with existing revenue constraints. At some point, alternative revenue sources will have to be identified to ensure that expenditures do not outpace revenues.

D.C. Long-term Structural Imbalance

(\$ in millions)



Without corrective action, the District's long-term imbalance would be evident.



The District cut expenditures and increased certain revenues to submit a balanced budget.

Understanding the Financial Plan

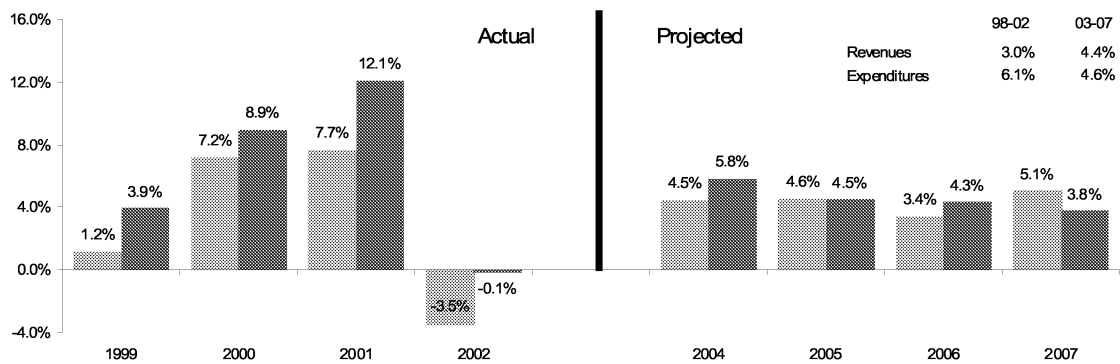
The financial plan is a synopsis of the current fiscal year's approved budget; the prior year's audited actual revenues and expenditures; and planned activity for the next four years. The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook. The General Fund's financial plan now shows all local fund revenues including revenue that is purpose dedicated or O-type revenue. In prior years O-type revenue was not treated as local revenue while federal payments (excluding grants) were reflected as local source revenue. There is also a "Federal and Private Resources Fund" financial plan that includes all revenues and expenditures for federal payments, federal operating grants

and private grants. These changes in the financial plan mirror some of the required accounting changes to the Comprehensive Annual Financial Report (CAFR).

Revenues and Expenditures: Past and Future

The graphs above clearly depict the challenges faced by the District as a result of the structural imbalance. They show how revenues and expenditures would diverge (graph at left) if the District had not cut expenditures and increased certain revenues to maintain a balanced budget (graph at right). The charts on the next page reflect revenue and expenditure growth over the previous four years and projections for the future.

Revenue and Expenditure Growth Rate Summary



	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Adjusted	2004 Budgeted	2005 Projected	2006 Projected	2007 Projected
Revenues	3,090,049	3,126,115	3,351,152	3,609,171	3,483,912	3,540,399	3,699,314	3,868,606	3,999,790	4,202,653
growth rates		1.2%	7.2%	7.7%	-3.5%		4.5%	4.6%	3.4%	5.1%
Expenditures	2,767,748	2,876,851	3,133,857	3,512,873	3,509,474	3,543,522	3,750,169	3,918,864	4,089,200	4,243,379
growth rates		3.9%	8.9%	12.1%	-0.1%		5.8%	4.5%	4.3%	3.8%

This chart does not include Federal resources, private grants, or O-type Funds.

Source for "Actual" revenues is Exhibit A-5 of the Comprehensive Annual Financial Report with some adjustments, such as the convention center tax transfer

Source for "Actual" expenditures is Exhibit A-5 of the CAFR, with some adjustments.

Source for "Projected" revenues is General Fund Revenues less O-Type Revenues in the General Fund Financial Plan (line 6 less lines 4 & 5)

Source for "Projected" expenditures is General Fund Expenditures less O-Type expenditures less reserves in the General Fund Financial Plan (line 23 less lines 4,5,19&22)

Reading the Financial Plan

This section addresses the components of this year's multi-year financial plan. For explanatory purposes, the plan is broken into four sections:

revenues, expenditures, GAAP adjustments and transfers, and the fund balance and its composition. Both the General Fund and the Federal and Private Resources Fund are appended.

Revenues

FY 2004 - FY 2007 Proposed Budget and Financial Plan General Fund									
Revenue	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1. Taxes	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2. Non-tax revenues	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
3. Lottery	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
4. O-type Revenues (Dedicated Non-Tax, Recurring)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5. O-type Revenues (Dedicated Non-Tax, One-time)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
6. General Fund Revenues	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
7. Carryforward from prior year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
8. Mayor's Tax Package	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
9. Total General Fund Resources	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Revenues – General Fund

1. Taxes. Includes property, sales, income, and other taxes, which are projected by the Office of Research and Analysis. The revenues reflect a series of tax rate reductions that were implemented in FY 2000. See the Revenues chapter for further details.

2. Non-tax revenues. Includes revenue from licenses and permits, parking and traffic fines, charges for services, interest income, and other revenue sources that are not dedicated. See the Revenues chapter for further details.

3. Lottery. Reflects the portion of D.C. Lottery and Charitable Games Control Board revenue that is transferred to the District's general fund.

4. - 5. O-type (Dedicated Non-Tax) Revenues. O-type or Other Revenues includes dedicated non-tax revenues from charges and fees that are collected and spent by the collecting agency. This pool is distinct from the Non-Tax Revenue category above, which is part of the general pool of discretionary general fund revenue.

6. General Fund Revenues.

7. Carryforward from prior year. Includes funds that previously fell to the fund balance, but for which the District has received authority to use. Examples are the unspent portion of the FY 2002 Budgeted Reserve and funds previously designated as restricted or designated in the fund balance.

8. Mayor's Tax Package. Reflects policy changes to delay tax parity, institute a 6-percent surtax on net taxable income above \$100,000, increase the tax on parking, and add selected services to the General Sales Tax base. These initiatives are discussed in detail in the Revenues chapter.

9. Total General Fund Resources.

Revenues – Federal and Private Resources Fund

F1. Federal Grants. Federal grant awards anticipated by District agencies. This amount reflects anticipated federal grant receipts.

F2. Federal Payment/Contribution. Reflects the funding contributed by the federal government for specific projects. These funds are restricted in use by the federal government.

F3. Private Grants. Includes revenues received from private grants.

F4. Federal and Private Resources.

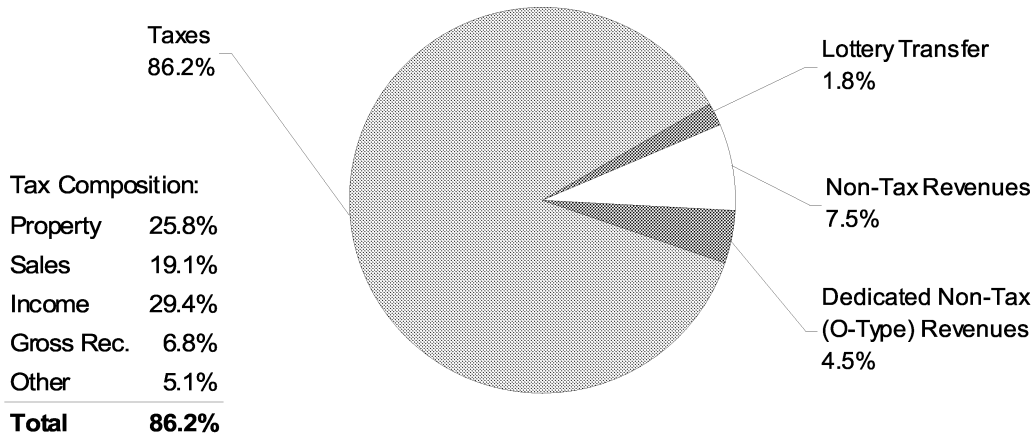
F5. Carryforward from prior year. Reflects amounts previously contained in the fund balance that have been released for use in the current year.

F6. Total Federal and Private Resources.

Discussion

Refer to the Revenues chapter for a detailed and thorough discussion of revenues.

General Fund Revenues by Source*



**Does not include carryforward from prior year or Mayor's legislative and tax package*

Expenditures

Line Item	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Expenditures (by Appropriation Title)						
10 Governmental Direction and Support	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
11 Economic Development and Regulation	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
12 Public Safety and Justice	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
13 Public Education System	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
14 Human Support Services	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
15 Public Works	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
16 Receiverships	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
17 Financing and Other	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
18 TIF Expenditures	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
19 Budgeted Reserve	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
20 Set Aside for Cash Reserve	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
21 Tobacco Trust Fund (Program Funds)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
22 Tobacco Trust Fund (Investment Funds)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
23 Total General Fund Expenditures	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
24 Operating Margin, Budget Basis	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

Expenditures – General Fund

10. - 16. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter. In FY 2003, expenditures in the Receivership appropriation title have been transferred to the Human Support Services appropriation title because the programs associated with these funds are no longer in receivership.

17. Financing and Other. Includes Repayment of Debt, Short-Term Borrowings, Certificate of Participation, the Wilson Building Payment and Settlements and Judgments. In FY 2002 Congress provided a Federal Payment/Contribution for Emergency Planning and Security needs and created an appropriation title for the distribution of these funds. These funds are distributed to the appropriate agency for expenditure.

18. TIF (Tax Increment Financing) Expenditures. Beginning in FY 2004, the District will budget expenditures within the TIF program. The District will budget the lesser of \$15 million, debt service on the Gallery Place and Mandarin Oriental TIF bonds, or the real property and sales tax increment from the downtown TIF area.

19. Budgeted Reserve. The Budgeted Reserve is a fiscal safeguard mandated by Congress. This reserve was phased out as the District built its cash reserves. The budgeted reserve is zero in FY 2004. The fiscal safeguard will now be budgeted in the newly established Set-Aside Reserve.

20. Set Aside for Cash Reserve. The District is required to set aside cash of \$50 million to provide a cushion in the absence of the budgeted reserve (line 19), which was phased out.

21. – 22. Tobacco Trust Fund. These two line items reflect the operating budget relief that the District achieved from the defeasance (or prepayment) of bonds with proceeds from securitized tobacco settlement funds. Upon filling the cash reserves half of the funds from the tobacco trust fund are to be dedicated to programs and half of the funds are to be invested for future use. In FY 2003 and 2004, Tobacco funds are dedicated to programs within Public Education and Human Support Services in line with the Executive's proposal to the Council of the District of Columbia.

23. Total General Fund Expenditures.

24. Operating Margin, Budget Basis. This line provides the difference between Total General Fund Resources and Total General Fund Expenditures.

Expenditures – Federal and Private Resources Fund

F7.– F13. Agency Expenditures. These items reflect agency expenditures by appropriation title. The growth of expenditures in the out-years is based on growth assumptions that are discussed in the Operating Expenditures chapter. In FY 2003, expenditures in the Receivership appropriation title have been transferred to the Human Support Services appropriation title because the programs associated with these funds are no longer in receivership.

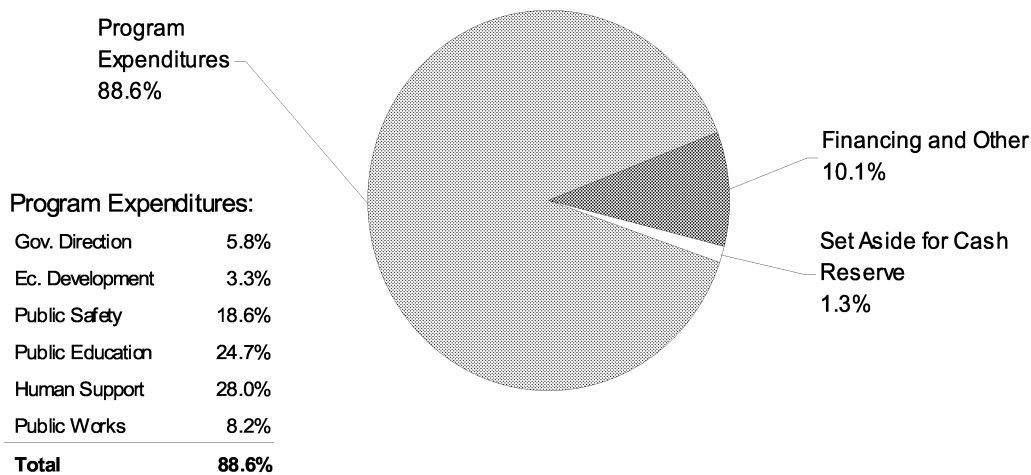
F14. Total Federal and Private Resources Fund Expenditures.

F15. Operating Margin, Budget Basis. This line provides the difference between Total Federal and Private Resources and Total Federal and Private Expenditures.

Discussion

Refer to the Operating Expenditures chapter for a detailed and thorough discussion of the operating expenditures.

General Fund Expenditures by Type



GAAP Adjustments and Transfers

FY 2004 - FY 2007 Proposed Budget and Financial Plan General Fund					
Project	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1. Total	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2. Capital	100,000	100,000	100,000	100,000	100,000
3. Debt	100,000	100,000	100,000	100,000	100,000
4. Capital Budget	100,000	100,000	100,000	100,000	100,000
5. Capital Budget	100,000	100,000	100,000	100,000	100,000
6. Capital Budget	100,000	100,000	100,000	100,000	100,000
7. Capital Budget	100,000	100,000	100,000	100,000	100,000
8. Capital Budget	100,000	100,000	100,000	100,000	100,000
9. Capital Budget	100,000	100,000	100,000	100,000	100,000
10. Capital Budget	100,000	100,000	100,000	100,000	100,000
11. Capital Budget	100,000	100,000	100,000	100,000	100,000
12. Capital Budget	100,000	100,000	100,000	100,000	100,000
13. Capital Budget	100,000	100,000	100,000	100,000	100,000
14. Capital Budget	100,000	100,000	100,000	100,000	100,000
15. Capital Budget	100,000	100,000	100,000	100,000	100,000
16. Capital Budget	100,000	100,000	100,000	100,000	100,000
17. Capital Budget	100,000	100,000	100,000	100,000	100,000
18. Capital Budget	100,000	100,000	100,000	100,000	100,000
19. Capital Budget	100,000	100,000	100,000	100,000	100,000
20. Capital Budget	100,000	100,000	100,000	100,000	100,000
21. Capital Budget	100,000	100,000	100,000	100,000	100,000
22. Capital Budget	100,000	100,000	100,000	100,000	100,000
23. Capital Budget	100,000	100,000	100,000	100,000	100,000
24. Capital Budget	100,000	100,000	100,000	100,000	100,000
25. Capital Budget	100,000	100,000	100,000	100,000	100,000
26. Capital Budget	100,000	100,000	100,000	100,000	100,000
27. Capital Budget	100,000	100,000	100,000	100,000	100,000
28. Capital Budget	100,000	100,000	100,000	100,000	100,000
29. Capital Budget	100,000	100,000	100,000	100,000	100,000
30. Capital Budget	100,000	100,000	100,000	100,000	100,000
31. Capital Budget	100,000	100,000	100,000	100,000	100,000

25. (& F16.) Projected GAAP Adjustments (Net). GAAP adjustments are year-end adjustments that are not allocable to a particular agency or appropriation title. These can be items such as lawsuit settlements or write-offs for uncollectable reimbursements.

26. Unspent Reserve (Budgeted). Reflects the projected portion of the budgeted reserve that will not be expended during the fiscal year.

27. Set Aside for Cash Reserve. The District has established a \$50 million cash reserve to provide budgetary stability as a replacement for the phased-out budgeted reserve. The amount of the unexpended cash reserve is added back to the operating margin because the associated funds remain in the District's general fund balance.

28. Tobacco Trust Fund (Investment Funds). Reflects the value in Line 22. This value is added back to the operating margin because the associated funds remain in the District's general fund balance.

29. - 30. Sustaining 7% Target. The District transfers a portion of the unrestricted general fund balance to cash in order to maintain the cash reserves at the required level of 7 percent.

31. (& F17.) Operating Margin, GAAP Basis. Reflects the Operating Margin, Budget Basis plus Total Projected GAAP Adjustments and Transfers.

Discussion

GAAP Adjustments and Transfers are sometimes referred to as "below-the-line" adjustments because they impact the District's financial statements below the Budget Basis Net Operating Margin line. These are year-end adjustments for items such as lawsuit settlements for expenses that do not require the present use of currently available revenue. In addition, there may be adjustments for estimated losses due to disallowed costs for federal grants.

Fund Balance and Composition of Fund Balance

Table 1
FY 2004 - FY 2007 Proposed Budget and Financial Plan
General Fund

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1. Total	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2. Cash	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
3. Accounts Receivable	0	0	0	0	0
4. Prepaid Expenses	0	0	0	0	0
5. Inventory	0	0	0	0	0
6. Other Assets	0	0	0	0	0
7. Total Assets	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
8. Total Liabilities	0	0	0	0	0
9. Total Equity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
10. Beginning Fund Balance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
11. Surplus/(Deficit)	0	0	0	0	0
12. Adjustments to Fund Balance	0	0	0	0	0
13. Ending Fund Balance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
14. Emergency and Contingency Cash Reserve Target (7%)	70,000	70,000	70,000	70,000	70,000
15. Emergency Cash Reserve Balance (4%)	40,000	40,000	40,000	40,000	40,000
16. Contingency Cash Reserve Balance (3%)	30,000	30,000	30,000	30,000	30,000
17. Set Aside for Cash Reserve	0	0	0	0	0
18. Tobacco Trust Fund (Investment Funds)	0	0	0	0	0
19. Fund Balance not in Cash Reserve	0	0	0	0	0
20. Total	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

32. (& F18.) Beginning Fund Balance. Shows the accumulated fund balance at the beginning of the fiscal year, which is identical to the end of year fund balance for the previous fiscal year. The FY 2002 beginning fund balance was restated to comply with new accounting pronouncements.

33. (& F19.) Surplus/(Deficit). Restatement of Line 31.

34. (& F20.) Adjustments to Fund Balance. Represents adjustments to prior year fund balance for items carried forward from one fiscal year to the next.

35. (& F21.) Ending Fund Balance. Shows a summation of the beginning of the year fund balance and the annual surplus/(deficit).

36. Emergency and Contingency Cash Reserve Target (7%). The District was required to establish a 4 percent Emergency Reserve Fund and a 3 percent Contingency Reserve Fund totaling 7 percent of proposed local expenditures. This line reflects the 7 percent target. The fund was fully populated in FY 2002.

37. Emergency and Contingency Cash Reserve Total (7%). Displays the sum of lines 38 and 39.

38. Emergency Cash Reserve Balance (4%). This fund is required to equal 4 percent of the District's local expenditures. The requirement was satisfied in FY 2002.

39. Contingency Cash Reserve Balance (3%). This fund is required to equal 3 percent of the District's local expenditures. The requirement was satisfied in FY 2002.

40. Set Aside for Cash Reserve. Reflects the cumulative unspent portion of the Cash Set Aside (line 20).

41. Tobacco Trust Fund (Investment Funds). Reflects savings from the tobacco securitization that are to be invested (line 22).

42. Cash Reserve Total.

43. Fund Balance not in Cash Reserve. Reflects the portion of the fund balance that is not composed of cash reserves. This line item does not reflect available funds because there are several restrictions on the District's fund balance in addition to cash reserve balances. One such restriction is bond escrow, which comprises close to \$200 million of the District's FY 2002 fund balance. Bond escrow is accumulated cash that the District is required to maintain for debt payments in the coming year. Fund balance restrictions are addressed thoroughly in the District's Comprehensive Annual Financial Report.

Discussion

Implementing accounting pronouncement GASB 34 resulted in a significant restatement of the FY 2002 fund balance at October 1, 2002. This 49% increase in the District's general fund balance does not signal the availability of more funds for spending—quite the contrary. The general fund balance has two major components: (1) reserved (2) and unreserved. The unreserved fund balance is apportioned further into designated and undesignated components. The majority of the general fund balance is reserved, followed by the designated component and lastly the undesignated portion.

Reserved Fund Balance

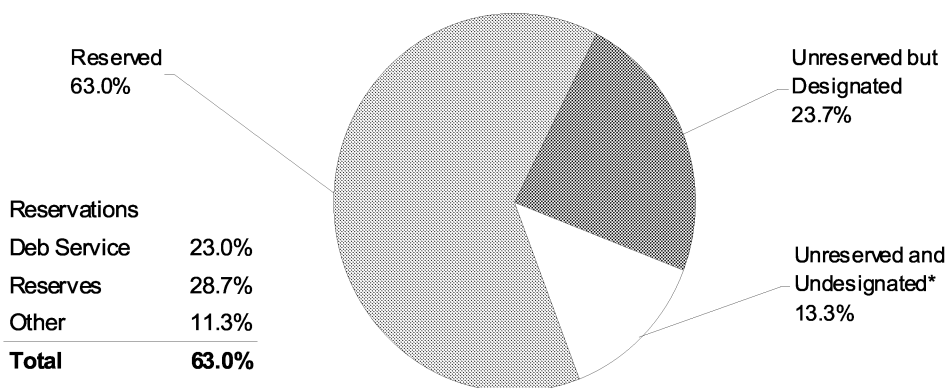
To use reserved fund balance items, the District must have approval from the external entity that has imposed the restriction. Historically, the reserved balance has been dominated by monies held in escrow for debt service and the Congressionally mandated emergency and contingency cash reserves.

Unreserved Fund Balance

Unreserved but Designated Fund Balance. The designated component of the fund balance contains items that have been purpose restricted by the legislative or executive branch of the District government.

Unreserved and Undesignated Fund Balance. Those items that fall into this category have neither internal nor external claims against them. However, unlike most large cities, the District is prohibited from accessing these funds.

Fund Balance Composition, FY 2002



* The unreserved and undesignated fund balance represents about one week of operating cash on hand.

Table 3-1

FY 2004 - FY 2007 Proposed Budget and Financial Plan: General Fund

(\$ in Thousands)

	Revenues	FY 2002 Actual	FY 2003 Approved	FY 2003 Proposed Adjusted	FY 2004 Proposed	FY 2005 Projected	FY 2006 Projected	FY 2007 Projected
1	Taxes	3,147,582	3,147,677	3,186,509	3,339,913	3,493,883	3,618,795	3,813,473
2	Non-Tax Revenues	272,759	247,430	285,290	289,201	303,623	309,895	318,080
3	Lottery	63,000	70,900	68,600	70,200	71,100	71,100	71,100
4	O-Type Revenues (Dedicated Non-Tax), Recurring	156,236	174,631	174,631	164,710	169,699	175,044	180,392
5	O-Type Revenues (Dedicated Non-Tax), One-time	0	0	0	11,105	0	0	0
6	General Fund Revenues	3,639,577	3,640,638	3,715,030	3,875,129	4,038,305	4,174,834	4,383,045
7	Carryforward from prior year	37,401	18,485	62,542	11,455	0	0	0
8	Mayor's Tax and Legislative Package	0	126,850	15,000	91,200	131,760	173,331	158,531
9	Total General Fund Resources	3,676,978	3,785,973	3,792,572	3,977,784	4,170,065	4,348,165	4,541,576
Expenditures (by Appropriation Title)								
10	Governmental Direction and Support	265,939	226,321	217,741	229,050	236,876	245,249	253,723
11	Economic Development and Regulation	116,791	146,327	148,360	129,267	129,155	133,362	137,588
12	Public Safety and Justice	636,160	611,203	621,603	739,389	772,938	809,387	847,635
13	Public Education System	932,948	947,590	933,812	985,045	1,005,579	1,024,201	1,039,560
14	Human Support Services	755,081	1,083,195	1,112,979	1,118,042	1,142,321	1,195,569	1,251,136
15	Public Works	305,361	313,689	307,574	325,293	331,789	345,704	360,078
16	Receiverships	331,100	0	0	0	0	0	0
17	Financing and Other	286,051	387,202	379,403	384,898	425,530	464,976	489,112
18	TIF Expenditures	0	0	0	15,000	15,000	15,000	15,000
19	Budgeted Reserve	0	70,000	70,000	0	0	0	0
20	Set Aside for Cash Reserve	0	0	0	50,000	50,000	50,000	50,000
21	Tobacco Trust Fund (Program Funds)	0	0	0	0	29,375	30,796	29,939
22	Tobacco Trust Fund (Investment Funds)	0	0	0	0	29,375	30,796	29,939
23	Total General Fund Expenditures	3,629,431	3,785,527	3,791,472	3,975,984	4,167,938	4,345,040	4,503,710
24	Operating Margin, Budget Basis	47,547	446	1,100	1,800	2,127	3,125	37,866
25	Projected GAAP Adjustments (Net)	(20,092)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
26	Unspent Reserve (Budgeted)	0	20,000	20,000	0	0	0	0
27	Set Aside for Cash Reserve (to Cash Reserves)	0	0	0	20,000	10,000	10,000	10,000
28	Tobacco Trust Fund (Investment Funds)	0	0	0	0	29,375	30,796	29,939
29	Sustaining 7% Target (from Unrest. Fund Balance)	0	0	(5,048)	(23,738)	(14,239)	(12,397)	(11,107)
30	Sustaining 7% Target (to Cash Reserves)	0	0	5,048	23,738	14,239	12,397	11,107
31	Net Operating Margin - GAAP Basis	27,455	446	1,100	1,800	21,502	23,921	57,805
32	Beginning General Fund Balance	837,873	865,328	865,328	803,886	777,126	798,628	822,549
33	Surplus/(Deficit)	27,455	446	1,100	1,800	21,502	23,921	57,805
34	Adjustments to Fund Balance	0	(18,485)	(62,542)	(28,560)	0	0	0
35	Ending General Fund Balance	865,328	847,289	803,886	777,126	798,628	822,549	880,354
36	Emergency & Contingency Cash Reserve Target (7%)	248,731	253,779	253,779	277,517	291,756	304,153	315,260
37	Emergency & Contingency Cash Reserve Total (7%)	248,731	253,779	253,779	277,517	291,756	304,153	315,260
38	Emergency Cash Reserve Balance (4%)	142,132	145,017	145,017	158,581	166,718	173,802	180,148
39	Contingency Cash Reserve Balance (3%)	106,599	108,762	108,762	118,936	125,038	130,351	135,111
40	Set Aside for Cash Reserve	0	0	0	20,000	30,000	40,000	50,000
41	Tobacco Trust Fund (Investment Funds)	0	0	0	0	29,375	60,171	90,110
42	Cash Reserve Total	248,731	253,779	253,779	297,517	351,131	404,324	455,370
43	Fund Balance not in Cash Reserve	616,597	593,510	550,107	479,609	447,497	418,225	424,984

Table 3-2

FY 2004 - FY 2007 Proposed Budget and Financial Plan: Federal and Private Resources

(\$ in Thousands)

Revenues		FY 2002 Actual	FY 2003 Approved	FY 2003 Proposed Adjusted	FY 2004 Proposed	FY 2005 Projected	FY 2006 Projected	FY 2007 Projected
F1	Federal Grants	1,417,295	1,712,498	1,712,498	1,549,465	1,620,198	1,695,150	1,773,113
F2	Federal Payment/Contribution	240,430	33,000	33,000	33,300	0	0	0
F3	Private Grants	<u>20,585</u>	<u>28,285</u>	<u>28,285</u>	<u>13,767</u>	<u>14,171</u>	<u>14,602</u>	<u>15,035</u>
F4	Federal & Private Resources	1,678,310	1,773,783	1,773,783	1,596,532	1,634,369	1,709,752	1,788,148
F5	Carryforward from prior year	<u>38,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F6	Total Federal & Private Resources	1,716,639	1,773,783	1,773,783	1,596,532	1,634,369	1,709,752	1,788,148
Expenditures (by Appropriation Title)								
F7	Governmental Direction and Support	25,287	36,554	36,554	40,701	41,871	43,121	44,368
F8	Economic Development and Regulation	108,058	98,030	98,030	91,202	93,846	96,671	99,497
F9	Public Safety and Justice	65,361	26,329	26,329	11,599	10,632	10,987	11,346
F10	Public Education System	160,434	211,580	211,580	178,011	165,638	170,581	175,519
F11	Human Support Services	1,018,135	1,395,621	1,395,621	1,254,745	1,316,965	1,382,824	1,451,699
F12	Public Works	2,517	5,669	5,669	5,274	5,417	5,568	5,719
F13	Receiverships	94,970	0	0	0	0	0	0
F14	Total Federal & Private Expenditures	1,474,762	1,773,783	1,773,783	1,596,532	1,634,369	1,709,752	1,788,148
F15	Operating Margin, Budget Basis	241,877	0	0	0	0	0	0
F16	Projected GAAP Adjustments (Net)	<u>(33,757)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F17	Net Operating Margin - GAAP Basis	208,120	0	0	0	0	0	0
F18	Beginning Federal & Private Fund Balance	27,679	235,799	235,799	235,799	235,799	235,799	235,799
F19	Surplus/(Deficit)	208,120	0	0	0	0	0	0
F20	Adjustments to Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
F21	Ending Federal & Private Fund Balance	235,799	235,799	235,799	235,799	235,799	235,799	235,799

Federal and Private Funds

This plan depicts the District's anticipated revenues and planned expenditures for federal grants, federal payments, and private grants. In prior years, the District published a Gross Funds plan in this space. Because of changes to accounting standards (which are discussed earlier), the District no longer has a Gross Funds financial plan. The District now publishes a General Fund plan and a Federal and Private Fund plan, which correspond to funds published in the District's CAFR.

The Bottom Line

As reflected in the financial plan, the margin for error is indeed small. It will take strong stewardship from elected and appointed officials to steer the District through these tumultuous times to secure the fiscal viability of the city.

Filling the Emergency and Contingency Reserves

In FY 2002, the District filled the Emergency and Contingency Reserves to the mandated level of 7 percent, or \$248.7 million. The District filled the Emergency Reserve two years early and the Contingency Reserve five years early. The District will continue to maintain these reserves at their congressionally mandated levels.

The following table summarizes the District's reserves and illustrates how the District filled its Emergency and Contingency reserves ahead of schedule. The reserves are described in the Fund Balance and Composition of Fund Balance section of this Financial Plan chapter.

Table 3-3
FY 2004 - FY 2007 Reserve Summary

(\$ in millions)

	FY02		FY03		FY04		FY05		FY06		FY07	
	Actual		Proposed Adj.		Proposed		Proposed		Proposed		Proposed	
	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target	Total	Target
Budgeted Reserve	120.0		70.0		0.0		0.0		0.0		0.0	
Cash Reserves												
Emergency and Contingency Cash Reserves	248.7	248.7	253.8	253.8	277.5	277.5	291.7	291.7	304.2	304.2	315.3	315.3
Emergency Reserve (4%)	142.1	142.1	145.0	145.0	158.5	158.5	166.7	166.7	173.8	173.8	180.1	180.1
Contingency Reserve (3%)	106.6	106.6	108.8	108.8	118.9	118.9	125.0	125.0	130.4	130.4	135.1	135.1
Cash Set-aside 1/	0.0	0.0	0.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Tobacco Trust Fund (Investment Funds)	0.0	n/a	0.0	n/a	0.0	n/a	29.4	n/a	60.2	n/a	90.1	n/a
Total Cash Reserves	248.7	248.7	253.8	253.8	327.5	327.5	371.1	341.7	414.4	354.2	455.4	365.3
Filling the Emergency and Contingency Reserves												
Prior Year Contributions	100.8		248.7		253.8		277.5		291.7		304.2	
1% Requirement 2/	35.5		0.0		0.0		0.0		0.0		0.0	
Tobacco Savings	33.3		0.0		0.0		0.0		0.0		0.0	
Debt Relief 3/	79.4		0.0		0.0		0.0		0.0		0.0	
Sustaining 7% Target	0.0		5.0		23.7		14.2		12.4		11.1	

1/This represents the cash set aside at the beginning of the fiscal year. The District may spend from this fund for authorized uses during the year.

2/ Upon satisfying the 7% target, the 1% cash contribution is no longer necessary.

3/These funds had been dedicated to reducing District debt before being applied to the District's reserves.

Note: Numbers may not add to totals due to rounding.